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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

LZJ, INC.,

Debtor.

Case No. 10-

Chapter 11

LOCAL RULE 7001-2 AFFIDAVIT

Madelyn J. Schiffer, being the President of debtor, and a religious person for whom swearing is forbidden, affirms, deposes and says:

1. The debtor sells medical and surgical supplies at a storefront and attached warehouse at 69 Route 59, Suite A, in Monsey, New York. A substantial part of the debtor's business is selling to Medicaid-qualified customers. In early 2009, the Medicaid authorities audited the debtor's books and is now claiming that Medicaid is entitled to reimbursement of about \$550,000 in overpaid claims. The debtor disputes this. In late July of 2010, the Office of the Medicaid Inspector General began to withhold 25% of all reimbursement payments for services and supplies. This has crippled the debtor's operation, leading it to filing for protection and reorganization under chapter 11.

2. This case is being commenced under chapter 11.

3. No committee has been organized.

4. Attached is a schedule of the 20 largest unsecured claim holders, excluding insiders.

5. The debtor has two secured creditors: Fabulous Paper, Inc. and Ford Motor Credit Co. Fabulous Paper, Inc. is located at 143 Route 59, Hillburn, NY 10931. The amount of its claim is \$116,793. It has a security interest in all of the debtor's assets, other than the debtor's delivery truck. The debtor values the collateral at \$115,266. The claim is not disputed. Ford Motor Credit Co. has an address at PO Box 152271, Irving, TX 75015. The amount of its claim is \$13,000. It has a security interest in the debtor's 2009 Ford 150 Econoline that is used for deliveries. The debtor estimates that the current value of its collateral is \$14,000. The claim is not disputed.

6. The debtor estimates that its assets are worth about \$130,000, with almost half of it being monies due from, or being withheld by, the Department of Health in connection with Medicaid reimbursements. The debtor estimates that the liquidation value of its inventory is \$20,000. Other than the secured claims and the Department of Health's contested Medicaid overpayment claim of \$551,923, the debtor has unsecured claims of about \$200,000. Most of the latter are debts to suppliers.

7. None of the debtor's equity interests are publicly traded.

8. None of the debtor's property is in the possession or custody of a third party, other than monies being withheld by the Department of Health.

9. The debtor operates its business at 69 Route 59, Suite A, Monsey, New York 10952, under a month-to-month lease. The monthly rent is \$3,298, the arrears are approximately \$12,000, and the security deposit is about \$8,000. The landlord has demanded that debtor either pay the arrears or vacate.

10. The debtor's substantial assets are at 69 Route 59, Suite A, Monsey, New York 10952. Its books and records are also at 69 Route 59, Suite A, Monsey, New York 10952. The debtor does not hold any assets located outside of the United States.

11. There are no proceedings pending or threatened in which a judgment against the debtor or a seizure of its property is imminent.

12. Debtor's senior management consists of its principals, Madelyn J. Schiffer and Michael Schiffer. They are the debtor's management team. Madelyn J. Schiffer has been a Registered Nurse for 35 years and associated with the debtor for more than 10 years. She has a background in health care. She manages the financial operation, attending to payables and receivables. She supervises the retail and financial staff, including billing Medicaid, Medicare, and insurance companies. Michael Schiffer has been associated with the debtor for more than 10 years and has been in the medical and surgical supply business for over 30 years. Although he is a lay person, he has expert knowledge in the fields of wound care, wheelchair fitting, ostomy, urology, and tracheotomy. He has specialized knowledge of enteral feeding and wound care. He advises the debtor's customers as to the proper, safe and efficient use of the products that the debtor sells. He effectively communicates with medical care providers. He is also the sales manager and a highly-productive salesman.

13. The estimated weekly payroll going forward for the 30-day period following the filing of the chapter 11 petition, excluding debtor's principals, is \$4,000.

14. The amount proposed to be paid for the services of the debtor's principals for the 30-day period following the filing of the petition is \$12,000, based on a salary to each of them of \$1,500 per week.

15. Following is a schedule of estimated cash receipts and disbursements and net cash gain or loss for the 30-day period following the filing of the chapter 11 petition:

TOTAL RECEIPTS:		\$100,000.00
COST OF GOODS:		
Purchases of inventory:	50,000.00	
Postage & delivery charges:	5,000.00	
TOTAL COST OF GOODS:		55,000.00
DISBURSEMENTS:		
Payroll, including associated taxes:	33,000.00	
Other expenses:	10,000.00	
TOTAL DISBURSEMENTS:		43,000.00
PROFIT (LOSS):		\$2,000.00

16. The debtor does not anticipate any accrued but unpaid obligations, other than for utilities and one week of payroll (since debtor pays its employees one week in arrears). There may also be accrued but unpaid obligations to trade creditors, but the debtor anticipates that its suppliers will require cash on delivery during the month following the filing of the petition. The debtor anticipates about \$30,000 of accrued but unpaid receivables from Medicaid, Medicare, and private insurance companies.

/s/ Madelyn J. Schiffer, President
Madelyn J. Schiffer, President

Affirmed before me on
September 28, 2010

/s/ Julian Alan Schulman
Notary Public

JULIAN A. SCHULMAN
NOTARY PUBLIC, State of New York
No. 4692870
Qualified in Rockland County
Commission Expires April 30, 2011

**United States Bankruptcy Court
Southern District of New York**

IN RE:

LZJ, Inc.

Case No. _____

Chapter **11**

Debtor(s)

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS

Following is the list of the debtor's creditors holding the 20 largest unsecured claims. The list is prepared in accordance with Fed. R. Bankr. P. 1007(d) for filing in this chapter 11 [or chapter 9] case. The list does not include (1) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101, or (2) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the 20 largest unsecured claims. If a minor child is one of the creditors holding the 20 largest unsecured claims, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m).

(1) Name of creditor and complete mailing address including zip code	(2) Name, telephone number and complete mailing address, including zip code, of employee, agent or department of creditor familiar with claim who may be contacted	(3) Nature of claim (trade debt, bank loan, government contract, etc.)	(4) Indicate if claim is contingent, unliquidated, disputed or subject to setoff	(5) Amount of claim (if secured also state value of security)
State Of New York Office Of The Medicaid Inspector General 800 North Pearl Street Albany, NY 12204	Office Of Attorney General Medicaid Fraud Control Unit 1 Blue Hill Plaza, P. O. Box 1557 Pearl River, NY 10965	Miscellaneous - Other	Disputed	551,923.00
Good Quality Paper Goods 50 Reagan Road New Square, NY 10977	Attn: Chaim (845) 362-0252	Trade debt		30,268.00
Xpress Distribution 6907 69th Place Glendale, NY 11385	Attn: Yosi Soleimany (718) 416-2305	Trade debt		17,439.00
K2 Health Products, LLC 5359 Kings Highway Brooklyn, NY 11203	Attn: David (718) 451-4444	Trade debt		16,903.00
UPS PO Box 650580 Dallas, TX 75265-0580	Attn: Bankruptcy Dept. (800) 811-1648	Delivery Charges		15,765.00
Loketch & Partners 1560 Broadway, Suite 316 New York, NY 10036	Lou Loketch (212) 869-2316	Services - Professional		14,014.00
American Express P.O. Box 981535 El Paso, TX 79998-1535	Bankruptcy Department	Credit Card		12,000.00
Matrix Distributors, Inc. 110 Tice Lane, Bldg A, Unit 5B E. Brunswick, NJ 08816	Chris (732) 698-9991	Trade debt		11,930.00
Idearc P.O. Box 619009 DFW Airport, TX 75261-9009	(800) 555-4833	Advertising	Disputed	9,214.00
Gribetz & Loewenberg 155 North Main Street New City, NY 10956	Kenneth Gribetz, Esq. (845) 634-9500	Legal Fees		5,000.00
Coloplast Corp. 1601 W. River Road #303 Minneapolis, MN 55411	(800) 788-0293	Trade debt		3,418.00
Abrams, Fensterman 45 Exchange Blvd., Ste. 275 Rochester, NY 14614	Richard T. Yarmel, Esq. (585) 232-6002	Services - Professional		2,394.00
FLA Orthopedics PO Box 277810 Miramar, FL 33027-7810	Pam (800) 327-4110	Trade debt		2,000.00
McNeil & Company PO Box 5670 Cortland, NY 13045	(607) 756-4970	Miscellaneous us - Other		1,941.00

Complete Medical Supplies, Inc.
100 Route 59, Suite 103A
Suffern, NY 10901

Attn: George
(800) 242-2674

Trade debt

1,700.00

Verizon
Bankruptcy Department
210 W. 18th Street, 15th Floor
New York, NY 10011

(800) 837-4966

Utilities

1,600.00

Fabulous Paper, Inc.
Attention Jacob Schwartz
143 Route 59
Hillburn, NY 10931

(845) 357-1000

Trade debt

116,793.00
Collateral:
115,266.00
Unsecured:
1,527.00

Wachovia
P.O. Box 15026
Wilmington, DE 19850

Attn: Bankruptcy Dept.

Bank loan

1,500.00

Medical Specialties Distributors, LLC
800 Technology Center Drive
Stoughton, MA 02072

Attn: Bankruptcy Dept.
(800) 967-6400

Trade debt

1,000.00

Sammons Preston-Patterson Medical
PO Box 93040
Chicago, IL 60673-3040

Attn: Bankruptcy Dept.
(630) 378-6000

Trade debt

855.00

DECLARATION UNDER PENALTY OF PERJURY ON BEHALF OF A CORPORATION OR PARTNERSHIP

I, [the president *or* other officer *or* an authorized agent of the corporation][*or* a member *or* an authorized agent of the partnership] named as the debtor in this case, declare under penalty of perjury that I have read the foregoing list and that it is true and correct to the best of my information and belief.

Date: September 28, 2010

Signature:

/s/ Madelyn J. Schiffer

Madelyn J. Schiffer, President

(Print Name and Title)